

# **Texas Higher Education Coordinating Board's Incentive Funding Recommendation**

*Article III, Section 55 of the General Appropriations Act (80th Texas Legislature) directed the Texas Higher Education Coordinating Board to develop, in conjunction with the Governor's office, an incentive program for the improvement in teaching and educational excellence at Texas general academic teaching institutions. The Legislature appropriated \$100 million for FY 2009 to accomplish this task. In April, the Coordinating Board adopted a recommendation on incentive funding pursuant to the Act. A description of the Coordinating Board's methodology is below. The Governor's Incentive Funding Task Force continues to deliberate on how to ultimately implement the program as well as what methodology is most appropriate to achieve the stated goals.*

At the time that the proposal was developed, the distribution of funding was assumed to be \$80 million for incentives and \$20 million for top 10 percent scholarships. The two performance measures used are:

1. Undergraduate degrees produced
2. Percentage improvement in number of undergraduate degrees produced.

These two performance measures were chosen because they are output based, simple to understand, and focus on a few measures. By using degrees awarded instead of graduation rates, institutions would receive an incentive for admitting and graduating transfer students. The incentive is derived from the fact that most transfer students have 30 semester credit hours and therefore do not require as much additional time before they graduate.

Weights are applied to the number of undergraduate degrees produced in critical fields and/or by at-risk students only. Critical fields include those areas identified in *Closing the Gaps* (e.g., computer science, engineering, math, physical science, nursing, allied health, and certified teachers). The use of certified teachers is one area where a quality measure is incorporated. The data being used in the calculations comes from the State Board for Educator Certification and only includes those students who have obtained certification.

At-risk students were determined on data currently available. A student may appear in any of these categories once or multiple times to be flagged as at risk. Until additional information can be collected, at-risk includes students who:

- received a Pell grant at any time during last 10 years;
- enrolled as first-time undergraduates at the age of 20 or older;
- enrolled as part-time (i.e. less than 12 hours), first-time undergraduates within the last 10 years; or
- earned a GED within the last 6 years or had an SAT/ACT score less than the national average.

The specific weights for baccalaureate degrees assigned are:

- At-Risk Student – 1 points
- Critical Fields – 1 points
- At-Risk Student in a Critical Field – 2 points

For example:

	<b>Point Weights</b>	<b>Actual Degrees</b>	<b>Weighted Degrees</b>
<b>Bluebonnet U.</b>			
Awards to At-Risk Students	1	10	10
Awards in Critical Fields	1	10	10
Awards in Critical Fields to At-Risk Students	2	10	20
<b>Total Weighted Degrees for Bluebonnet U.</b>			<b>40</b>

Enclosed is a spreadsheet showing how the funds would have been distributed per institution based upon 2006 data. This is just an example to indicate the impact on various institutions. Actual distributions would be based on data through 2007.

The first column is a simple three year average of the number of weighted undergraduate degrees for at-risk and critical fields awarded for each institution. The number of weighted degrees are summed and divided into \$40 million, resulting in a rate of \$630.28 per weighted degree. The number of weighted degrees for each institution is then multiplied by the calculated rate. We acknowledge the advantage that this approach provides to the larger institutions; however, those are the institutions that are contributing the largest share to the *Closing the Gaps* success goal.

In the next column, institutions compete against their own prior performance to determine the increase. \$40 million was allocated based on the percentage increase between FY 2006 and the three year average of FY 2003 – FY 2005. Those institutions in the top 25<sup>th</sup> percentile of the increase were awarded \$10,000 per degree; institutions in the 25<sup>th</sup> to 50<sup>th</sup> percentile were awarded \$5,000; and the rest of the institutions with any increase below the 25<sup>th</sup> percentile received \$2,500 per weighted degree awarded. This method provides an award to every institution with an increase in degrees produced and provides a larger increase for those institutions that increase the most either numerically or as a percentage. Just as the first column has an inherent weight for larger institutions, this method has an inherent weight for smaller institutions. The column was then normalized to a total of \$40 million.

# EXAMPLE - If Implemented in FY 07 (Institution Sort)

Uses FY 2003 - FY 2006 Data

Based on Undergraduate Degrees Weighted for Critical Fields and At Risk Students

	Column 1	Column 2				
Sorted By System	Weighted Grads 04-06	Percentage Increase Calculations				Subtotal (Columns 1 & 2)
Institution	Calculated Amount	Percent Increase between Avg (2003-2005) and 2006			Normalized Amount	
		Numeric Increase	Percentage Increase	Group		
<b>University of Houston System</b>						
UNIVERSITY OF HOUSTON	\$2,376,163	524	14.4%	3	\$1,366,511	\$3,742,674
U. OF HOUSTON-VICTORIA	\$239,717	82	22.3%	1	\$851,896	\$1,091,613
U. OF HOUSTON-DOWNTOWN	\$765,162	310	27.6%	1	\$3,237,205	\$4,002,367
U. OF HOUSTON-CLEAR LAKE	\$589,524	103	10.7%	3	\$269,477	\$859,001
<b>University of North Texas System</b>						
UNIVERSITY OF NORTH TEXAS	\$2,019,843	503	15.8%	2	\$2,623,492	\$4,643,335
<b>The University of Texas System</b>						
U. OF TEXAS-PERMIAN BASIN	\$380,900	95	16.6%	2	\$497,229	\$878,129
U. OF TEXAS-PAN AMERICAN	\$1,731,384	548	21.6%	1	\$5,712,920	\$7,444,304
U. OF TEXAS AT TYLER	\$620,407	232	23.7%	1	\$2,423,558	\$3,043,965
U. OF TEXAS AT SAN ANTONIO	\$2,023,205	531	17.2%	2	\$2,769,532	\$4,792,737
U. OF TEXAS AT EL PASO	\$1,626,968	368	14.2%	3	\$960,556	\$2,587,524
U. OF TEXAS AT DALLAS	\$973,996	385	27.7%	1	\$4,012,605	\$4,986,601
U. OF TEXAS AT BROWNSVILLE	\$652,552	132	12.9%	3	\$344,236	\$996,788
U. OF TEXAS AT AUSTIN	\$3,787,574	436	7.3%	3	\$1,137,021	\$4,924,595
U. OF TEXAS AT ARLINGTON	\$1,753,654	380	14.3%	3	\$990,981	\$2,744,635
<b>Texas Tech University System</b>						
TEXAS TECH UNIVERSITY	\$2,228,467	443	13.1%	3	\$1,156,145	\$3,384,612
ANGELO STATE UNIVERSITY	\$740,371	59	4.7%	3	\$153,863	\$894,234
<b>Texas A&amp;M University System</b>						
TEXAS A&M UNIV-KINGSVILLE	\$724,614	150	14.1%	3	\$392,046	\$1,116,660
TEXAS A&M UNIVERSITY-TEXARKANA	\$173,958	47	18.9%	2	\$245,137	\$419,095
TEXAS A&M UNIVERSITY-COMMERCE	\$855,923	233	18.5%	2	\$1,215,256	\$2,071,179
TEXAS A&M UNIVERSITY	\$4,190,744	642	9.5%	3	\$1,674,237	\$5,864,981
TEXAS A&M UNIV-CORPUS CHRISTI	\$780,919	119	9.6%	3	\$311,203	\$1,092,122
TEXAS A&M UNIV AT GALVESTON	\$98,954	32	22.2%	1	\$330,327	\$429,281
TEXAS A&M INTERNATIONAL UNIV	\$458,845	73	10.7%	3	\$189,503	\$648,348
PRAIRIE VIEW A&M UNIVERSITY	\$600,449	170	18.8%	2	\$886,667	\$1,487,116
TARLETON STATE UNIVERSITY	\$918,531	152	10.4%	3	\$397,262	\$1,315,793
WEST TEXAS A&M UNIVERSITY	\$660,115	155	14.4%	3	\$405,085	\$1,065,200
<b>Texas State System</b>						
LAMAR UNIVERSITY	\$805,290	130	10.4%	3	\$339,889	\$1,145,179
LAMAR STATE COLL-PORT ARTHUR	\$145,805	10	4.0%	3	\$26,078	\$171,883
LAMAR STATE COLL-ORANGE	\$82,357	18	14.3%	3	\$46,072	\$128,429
SUL ROSS STATE UNIVERSITY	\$124,796	8	3.8%	3	\$19,993	\$144,789
SUL ROSS RIO GRANDE COLLEGE	\$158,621	9	3.8%	3	\$24,340	\$182,961
SAM HOUSTON STATE UNIVERSITY	\$1,338,088	291	13.3%	3	\$759,752	\$2,097,840
TEXAS STATE UNIV - SAN MARCOS	\$2,499,068	464	12.2%	3	\$1,210,909	\$3,709,977
<b>Independent Institutions</b>						
MIDWESTERN STATE UNIVERSITY	\$515,991	148	18.7%	2	\$770,184	\$1,286,175
STEPHEN F. AUSTIN STATE UNIV	\$1,104,464	89	4.7%	3	\$232,968	\$1,337,432
TEXAS WOMAN'S UNIVERSITY	\$896,471	188	13.9%	3	\$489,406	\$1,385,877
TEXAS SOUTHERN UNIVERSITY	\$356,109	146	28.2%	1	\$1,526,459	\$1,882,568
Statewide	\$40,000,000	8,405			\$40,000,000	\$80,000,000